

# **Budget Process and Executive Summary**

## **STRATEGIC PLANNING**

The City of Mesa is committed to being a quality performance organization. Through its commitment to quality on an everyday basis, the City of Mesa staff is dedicated to one unified vision and mission:

### **VISION**

To be THE employer and community of choice.

### **MISSION**

We are dedicated to providing superior services to our customers in order to improve the quality of life for Mesa residents, businesses, and visitors.

### **VALUES**

We serve with honor and integrity.

We treat everyone with fairness and respect.

We are responsible for our actions.

We provide friendly and efficient service.

We value the public's confidence and trust.

We value our community partnerships.

We value open and honest communication.

We value new ideas and innovation.

We respect, value, and welcome diversity in our workforce and community.

We work as a team.

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## **MESA ACTION PLAN**

As changes occur in our community, it is important that the City of Mesa remain current and be in a constant mode of updating its thinking. To get where we're going, we need a map to guide our efforts. As a result, the City has developed the Mesa Action Plan (MAP), which was designed to help us think ahead to determine the future needs of employees and customers.

The MAP is a strategic plan designed to set the organization on a well-thought-out course for the next five to ten years. Several milestones or actions, referred to as Key Result Areas (KRAs), have been identified that will guide the City of Mesa's efforts.

### **KRA I – Human Resources: Investing in Our Employees**

We will make Mesa the employer of choice. Employees are the City's greatest assets. In order to develop these assets fully, we will attract and retain the most qualified people, train our employees to be the workers we want them to be, and provide a good, safe work environment. City teams are working on recruitment, marketing and retention, compensation, succession planning, space needs, leadership, communications and training.

### **KRA II – Fiscal Stability**

We will provide a strong and stable revenue base that grows with our customer services and needs. As with all organizations, the City of Mesa faces the challenges of an economic downturn. In planning ahead, MAP explores new ways to control costs and establish a clear, long-term fiscal policy through financial forecasting, and by linking all planning within the organization to the budget process.

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## **KRA III – Improved Service Delivery, Efficiency and Effectiveness**

Our job is to consistently provide efficient, professional and high-quality service. Our efforts will concentrate on assessing community desires and needs. To increase convenience and flexibility for customers, the City is developing a way to gauge how well it is doing. Meaningful measures are being established that define what success looks like. These performance measurements provide management with the ability to monitor performance at any level in the organization, establishing performance standards for our major service areas, assessing and evaluating the performance of our core services and processes, and improving our processes and systems. Performance measurements are scheduled to be incorporated in the FY 2005/06 budget book.

## **KRA IV – Technology and Innovation**

Information technology (IT) is a critical link in today's communication systems and the City of Mesa must provide state-of-the-art information systems to support both employees and citizens. To enhance the City's technological efforts and increase innovation, MAP includes securing our information technology infrastructure, focusing on information technology as a key component of service delivery and increasing public access to City services.

## **KRA V – Connecting with Customers and the Community**

The City has quietly gone about its business for years providing quality, dependable public services. In the future, we will need to generate greater active support for our organization and its programs, which means we must become more visible. Connecting with customers and the community means helping Mesa citizens and residents develop a spirit of community, and developing Mesa's identity as a great place to live, learn, work, shop and play. To accomplish this, we will focus our efforts on enhancing and promoting the City's volunteer program, focus on well-designed and aesthetically pleasing city-owned infrastructure, establish a connected community through the E-Streets program and spark renewed pride in neighborhoods.

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## BUDGET PROCESS

### Purpose of the Book

The City of Mesa has continued its biennial budgeting process that established an adopted budget for FY 2003/04 and a proposed budget for FY 2004/05. The City of Mesa's 2003/04-2004/05 Biennial Budgets will provide three major components for the reader: Policy Document, Operations Guide and Financial Plan.

Policy Document - As a policy tool, this book addresses the needs of elected officials, the public and interested parties for information about the strategies of the City. The FY 2003/04 - 2004/05 Biennial Budgets present this information in summary form within the Budget Process, the Executive Summary and the Financial Policies sections, as well as presenting department and program information in the Executive Budget Plan book.

Operations Guide – The budget information is separated into the following books:

### EXECUTIVE BUDGET PLAN

### DETAIL BUDGET PLAN

### FIVE-YEAR CAPITAL IMPROVEMENT PLAN

The EXECUTIVE BUDGET PLAN provides an overview of the City of Mesa Operating and Capital budget for the next two fiscal years. This book contains messages from the City Manager and the Mayor identifying the significant issues the City will be addressing for the next two fiscal years. Information about each City Council member and demographics about the community is also included. The Budget Process will identify the budget cycle, legal budget requirements, and an explanation of the City's operating structure. The Executive Summary identifies the City financial budgeting structure, key City indicators, issues the FY 2003/04-2004/05 budgets addressed and the projected revenue forecast. The Financial Policies identify state legal requirements, City charter requirements and long-term debt issues for the City.

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The DETAIL BUDGET PLAN identifies personnel detail within department, by responsibility center (RC), by position, minor object code detail of expenditures and appropriations, capital improvement and equipment projects.

The FIVE-YEAR CAPITAL IMPROVEMENT PLAN (CIP) identifies individual capital improvement projects by category for the five fiscal years.

Financial Plan - This document presents financial data in summarized format within the EXECUTIVE BUDGET PLAN, including estimates of this year's operating revenues, an analysis of the past year's actual revenues, and the basis for the FY 2003/04-2004/05 revenue projections. Key trends are charted. The revised FY 2002/03 revenue and expenditure estimates, and the FY 2003/04-2004/05 budgets are included. These are presented by major category and by fund.

The CIP (FY 2003/04 through FY 2007/08) was adopted in June 2003, along with the initial operating budget, and can be found in the CIP book. This book gives a breakdown of capital appropriations by project category. The CIP process has evolved over the last few years; FY 1999/00 Budget Policy called for the use of "scoping documents" by which the economic impact of capital appropriations upon departments could be quantified. The FY 2000/01 Budget Policy expanded on this plan, using Initial Project Assessment forms (IPA's) and Final Project Assessment forms (FPA's) in conjunction with revenue projections to prioritize the capital projects. The FY 2003/08 CIP instituted a process of prioritizing capital projects city-wide, based upon a set of ranking criteria to establish financial and human resource restrictions.

# Budget Process and Executive Summary

## Budget Basis of Accounting

The City of Mesa uses the modified accrual basis of accounting for governmental funds. Revenues are recognized when they become measurable and available to finance City operations. "Available" means "collectable" within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related fund liability is incurred.

An exception to this general rule is interest on long-term debt, which is recorded when due.

The accrual basis of accounting is used by Proprietary Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenditures are recognized when they are incurred.

In all cases, if the goods and/or services are not received by the end of the fiscal year, the encumbrances will automatically lapse and a new purchase order will be required.

The Comprehensive Annual Financial Report (CAFR) presents the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases, this conforms to the way the City prepares its budget with the following major exceptions:

- a. Compensated absence liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP), as opposed to being expended when paid (Budget).
- b. Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a Budget basis.
- c. Capital outlays within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a Budget basis.
- d. Depreciation expense is recorded on a GAAP basis only.

The Comprehensive Annual Financial Report presents fund expenditures and revenues on both a GAAP basis and Budget basis for comparison purposes.

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## The Budget Cycle



The City of Mesa uses a modified zero-based budgeting process. Departments are given financial guidelines for each fiscal year that create their baseline budgets. Each dollar above the baseline limits is prepared on a program basis and identifies the impact upon current service levels and proposed future levels. Departments are able to identify current service level reductions to reallocate money for higher priority programs within their baseline budget.

The City of Mesa's fiscal year begins July 1 and ends the following June 30, coinciding with the State of Arizona's fiscal calendar. In the early part of the fiscal year, a preliminary revenue forecast is made for the upcoming two fiscal years. The Budget and Research Office makes this forecast based on projections from national, state and local economic trends.

Working from the chart listed above, the budget process began in November 2002 with a forecast of the City's revenue and expenditures based upon the following assumptions:

- The FY 2002/03 Budget called for a reduction in ending fund balance of \$11.5 million to \$31.7 million.

# Budget Process and Executive Summary

- Estimated revenues forecasted a \$7.2 million decline from budgeted estimates for FY 2002/03.
- Due to the projected decline in Sales Tax, Building Permit/Impact Fees, State Shared revenues and utility revenues, a hiring review of vacant positions and capital expenditures was implemented in the Fall of 2002.
- At the same time, the City's debt was refinanced with a savings of \$2.7 million.

The list of expenditure reductions almost offset the forecasted revenue reductions, so the forecasted ending fund balance totaled \$30.7 million.

The establishment of the goals for the FY 2003/04-2004/05 Biennial Budgets included the following:

- Ending fund balances of \$35 million for FY 2003/04 and \$45 million for FY 2004/05. This was developed from a contingency of \$14 million along with \$6 million from the Cemetery Fund, \$8 million from Highway User Revenue Funds (HURF) and \$7 million from Impact Fees that would not be spent in FY 2003/04. Contingency of \$10 million along with \$8 million from the Cemetery Fund, \$16 million from Highway User Revenue Funds (HURF) and \$11 million from Impact Fees that would not be spent in FY 2004/05.
- Factor in rate increases in Water, Wastewater, Gas and Solid Waste utility rates of 5% for each biennial budget year that were forecast to generate \$7.8 million in FY 2003/04 and an additional \$8.2 million in FY 2004/05.
- Other forecast assumptions included a new CIP process, which would only recognize a given number of projects that could be handled financially and from an employee workload basis each year.
- The biennial forecast called for new debt issues of \$85 million in FY 2003/04 and \$125 million in FY 2004/05.
- A Cost Of Living Adjustment (COLA) was eliminated for each fiscal year. Retirement contributions increase by 139% for civilians in FY 2003/04 and sworn personnel contributions increase by 44%. Health insurance contributions increase by 15% annualized for each fiscal year and Workers Compensation contributions increase by \$1.1 million. Self-Insured Property and Public Liability Trust Fund contributions increase by \$0.6 million in FY 2003/04 and \$1.4 million for FY 2004/05.

# Budget Process and Executive Summary

- Revenues for FY 2003/04 indicated a slowdown in the local economy with a forecasted growth of Sales Tax of 3.2%. Impact Fees/Permits forecast a 5% increase. State Revenue Sharing funds decline 16% because of poor income tax receipts at the state.
- Revenues for FY 2004/05 indicated a gradual recovery in the local economy with a forecasted growth of Sales Tax of 5.3%. Impact Fees/Permits forecast a 5% increase. State Revenue Sharing funds remain flat for the next fiscal year.

This was presented to the City Council in October 2002 to assist with the development of the City's guidelines for the FY 2003/04-2004/05 budgets.

The City of Mesa departments were provided a dollar baseline level based on their RC budgets in Wages/Benefits, Other Services, and Commodities for FY 2002/03. They were also given a Capital allocation based upon a three-year average of Capital budgets in each Responsibility Center (RC). This process was used to calculate their baseline budgets, which equated to a decline of 10% compared to the previous year's budget. For FY 2004/05, the baseline amounts equated to a 4.2% increase over FY 2003/04. Each dollar above the baseline amount had to be identified on adjustment requests, which were prepared on a program basis. The time lines for the budget process were scheduled as follows:

October 2002	Meet with City Council to review financial forecast.
November 2002	Distribute budget preparation instructions to the departments.
January 2003	Budget submissions from departments are submitted to the Budget Office.
March 2003	City Managers Office meets with departments to review budget submissions.
May 2003	Distribute Preliminary Budget from City Manager to the City Council.
May 2003	City Council meets with the City Manager and department heads to review budget submissions.
June 2003	City Council adopts the Tentative Budget and distributes information for public input.
June 2003	City Council adopts the Final Budget after public input.

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Approximately \$33 million were identified as current levels of service and were submitted as supplemental requests to fund. The total amount of supplemental requests totaled \$55 million in net cost for FY 2003/04. Approximately \$36 million were identified as continuing costs for these supplemental requests for FY 2004/05, with total requests equaling \$56 million.

The City Manager's Preliminary Operating Budget for FY 2003/04 was submitted at \$586,710,469. The Preliminary Budget for Bonds for FY 2003/04 was \$100,575,543. For FY 2004/05, the Preliminary Operating Budget was 566,874,912. The Preliminary Budget for Bonds for FY 2003/04 was \$115,783,593. This information was submitted to the City Council in May 2003.

After public hearings with department managers in the City, the Council established changes to the Preliminary budget that impacted both fiscal years:

- Homeland security funding to increase security and preparedness.
- Provide OSHA training programs for employees.
- Operate four pools each Sunday and two holidays.
- Institute full cost recovery through fees for adult recreation programs.
- Provide funds for human service agencies to provide level funding for certain agencies.
- Provide funds for cultural grants to reduce the impact of a 30% reduction to 20%.
- Fund pre-emergent weed control for the municipal golf courses.
- Provide mosquito control material for area parks.
- Add one more collection per year for household hazardous waste.
- Reduce overall utility rate increases from 5% to 4% for FY 2003/04.
- Reinstate staffing for a ladder truck and related training.
- Reinstate transit service to four times per day for the Boeing route.
- Eliminate some QOL Half-Cent sales tax youth recreation programs due to lower sales tax receipts.

On June 30, 2003, the City Council adopted the final budget for FY 2003/04 at \$618,231,000 for the operating budget and \$145,517,000 for the bond scheduled budget for a total budget of \$763,748,000. The proposed operating budget for FY 2004/05 is \$597,401,000. The bond scheduled budget is \$122,274,000 for a total budget of \$719,675,000. The forecasted ending fund balance for FY 2003/04 is \$35,864,000 and FY 2004/05 is \$40,493,000.

# Budget Process and Executive Summary

## EXECUTIVE SUMMARY

### The Structure of Mesa's Budget Plan

For budgeting purposes, the City of Mesa budgets in two distinct ways, by Department and by Program/Function. Budgeting by Department is summarized below while the summary of Budgeting by Program and Function can be found in the Program Summaries tab of the Executive Budget Plan.

#### Budgeting by Department

Currently, there are eleven different operational departments, which comprise the City of Mesa government. Departments can be as small as the City Manager's Office or as large as the Police or Development Services Departments.

Depending on their size, City departments may be further sub-divided into Divisions, Sections and Sub-Sections. Each of these groups is known as a Responsibility Center (RC) and has been given an RC number for tracking purposes. For example:

- UTILITIES – RC 500 (Department)
  - Water Division – RC 530 (Division)
    - Water Services – RC 532 (Section)
      - Water Distribution – RC 538 (Sub-Section)
- COMMUNITY SERVICES – RC 210 (Department)
  - Arts & Cultural Division – RC 251 (Division)
    - Southwest Museum – RC 246 (Section)
    - Mesa Arts Center – RC 247 (Section)
    - Arts & Cultural Center – RC 248 (Section)
    - Museum for Youth – RC 250 (Section)

Each RC in the City has its own "mini-budget" plan that shows historical and anticipated expenditures. When the budget is compiled together, the information from each of these RC's is then combined with the other RC's within the same department to form each department's budget.

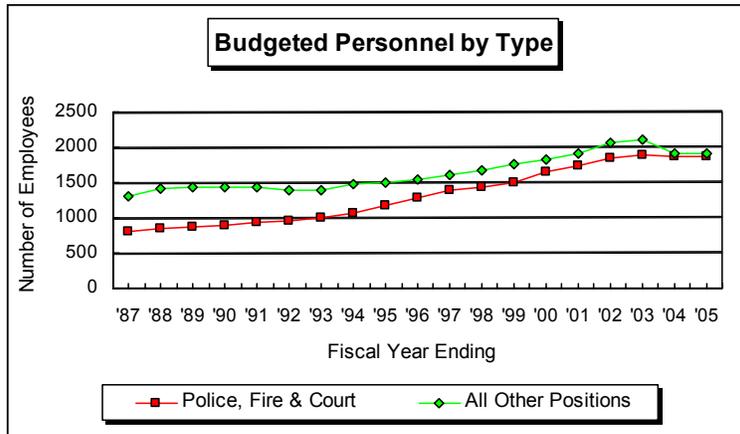
It is within the RC where budget accountability and control occurs, positions reside and money is spent. In each RC, historical and planned expenditure information is separated into the following major categories:

- Wages & Benefits
- Capital
- Other Services
- Debt Service
- Commodities
- Credits

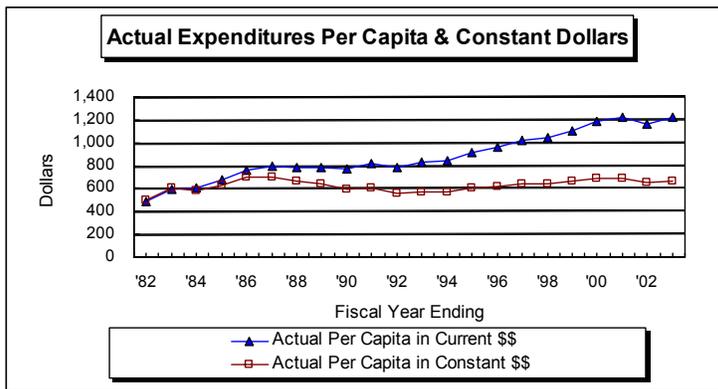
Each of these categories is further subdivided into more detailed expenditures called minor objects.

# Budget Process and Executive Summary

## Key City Indicators



Comparing the number of employees per 1,000 residents, the graph depicts a moderate increase above the employees per 1000 ratio from 1994 to 1997 for Public Safety and a decline from 1989 to 1993 for General Governmental. Since that period, growth has been relatively constant for both Public Safety and General Governmental employees, matching the growth in population. Beginning in 2003, the number of budgeted employees declines for both areas as a result of a hiring freeze instituted due to the downturn in the economy. Note: The graph does not include positions added through QOL Half-Cent funding.



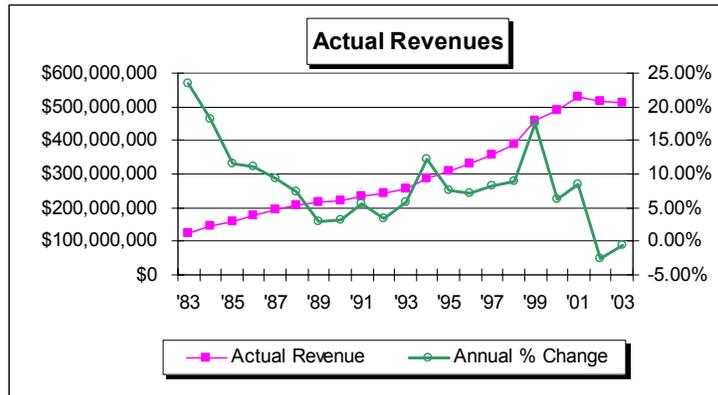
Overall, actual expenditures show an upward trend reflecting the increased cost to provide services because of inflation, demands for new services in newly developed areas and maintenance of the existing infrastructure. In constant dollars, which is the inflation-adjusted dollar value, the cost to provide services per capita has remained relatively stable. This can be attributed to more efficient use of resources, i.e.--computers, more efficient equipment, contract labor, etc. From 2001 to 2002, the chart reflects a slight downturn in both actual and constant dollars, which is a result of reductions in expenditures due to decreased revenues and cost-cutting measures.

# Budget Process and Executive Summary

Revenue adjustments have occurred annually in the following areas:

- 2003/04 Utility rate increases in Electric, Water, Wastewater, Gas and Solid Waste ranging from 2% to 5%. Increases in permits and impact fee rates. Loss in state revenue sharing revenue of \$7.0 million.
- 2002/03 Utility rate increases in Water, Wastewater, Gas and Solid Waste were averaging 6%. A revenue decline in Sales Tax, Building Permits and Impact Fees occurred because of the distressed economy.
- 2001/02 Utility rate increases in Water, Wastewater, Gas and Solid Waste ranging from 4% to 6.3%. Negative revenue growth in Building Permits and Impact Fees.
- 2000/01 Utility rate increases in Water, Wastewater and Gas ranging 3% to 3.3%. Loss of the sales tax on food equaled \$8,424,000.
- 1999/00 Utility rate increases in Water, Wastewater and Gas ranging from 5% to 7.1%.
- 1998/99 Institution of the voter approved half-cent sales tax of \$27.4 Million. Institution of Impact Fees for new development total \$7.2 Million.
- 1997/98 Utility rate increases in Water, Wastewater, Gas and Solid Waste ranging from 3.2% to 7%. Mid-year census for State Income Tax revenue is \$3.5 Million. Equalization of water zones within the City is \$3 Million.
- 1996/97 Mid-year census adjustment for State Sales Tax and Auto-In-Lieu taxes is \$2.1 Million. 3% Highway User Revenue Fund (HURF) increase of \$5 million with the population surpassing 300,000.

# Budget Process and Executive Summary



In the late 1980's, revenue growth declined due to the S&L crisis. Revenues in the 1990's reflected the significant growth in the population base averaging almost 8% per year. Changes in utility rates and new revenue streams such as impact fees, a half-cent sales tax increase and 3% HURF funds also contributed to the growth of the '90s. The last three years have reflected a downturn in the economy, especially in the area of new construction and contractual sales tax revenues.

## Fund Balances

Fund balances are the unobligated revenues that remain at the end of each budget year that are available as an initial resource combined with anticipated revenues to meet the following years appropriations.

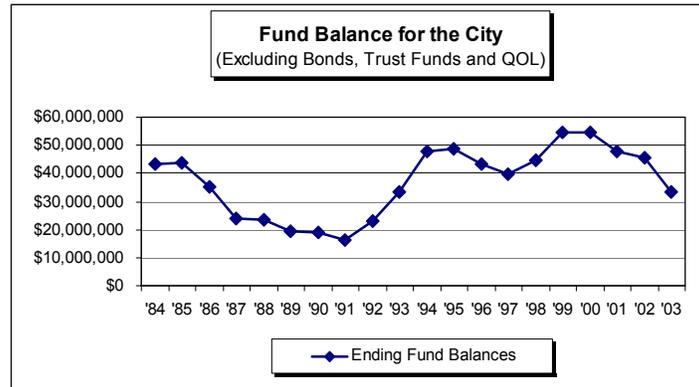
These fund balances are divided into unrestricted and restricted revenues. Unrestricted fund balances are those from the City's General, Enterprise and Internal Service Funds. These can be used for any anticipated general governmental purpose.

Restricted funds are established for specific purposes and their use is typically outlined in law. The City of Mesa's restricted funds include the following:

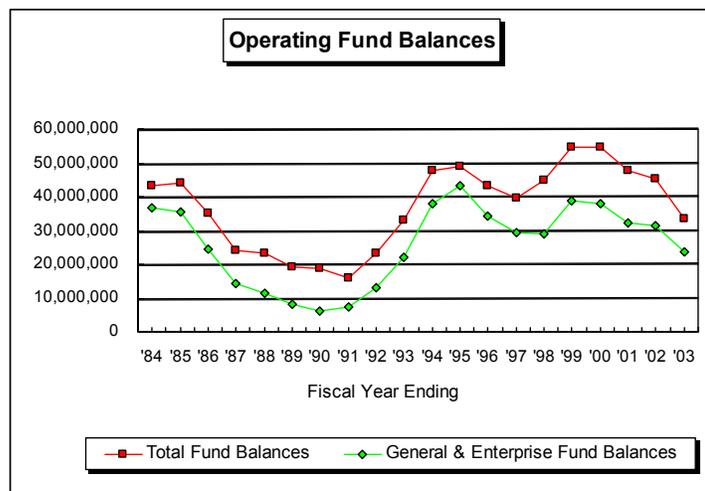
- Local Transportation Fund
- Housing Authority Funds
- Cemetery Reserve Fund
- Public Art Fund
- Development Tax/Impact Fee Funds
- Capital Improvement Fund
- Highway User Revenue Fund (HURF)

Note: Fund balances exclude all bond proceeds, expendable trust funds and QOL Half-Cent sales tax excess net income.

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The chart above indicates the low period when fund balances were used to help finance city government programs during the S & L crisis in the 1980's. Fund balances began to increase in 1991 and showed an overall rise until FY 2000/01. Decline in revenues that occurred because of a slowdown in new construction contributed to the decline in ending fund balances. The significant decline in FY 2002/03 reflects the decision to utilize fund balances to avoid significant reductions in existing programs.



The second chart indicates unrestricted fund balances (General and Enterprise Funds) stayed proportional to total fund balances. This trend changed in the early 2000's as fund balances declined faster in unrestricted areas because of poor revenue growth. The overall decline in FY 2002/03 reflects a significant payout in street principal debt.

# Budget Process and Executive Summary

## ISSUES FOR THE FY 2003/04 – 2004/05 BUDGET

### Financial Information

The following tables summarize expenditures and revenues from FY 2001/02 to FY 2004/2005. These figures establish the ending fund balance that is carried over as a resource to the following fiscal year. The schedules are by fund as well as type of expenditure and revenue:

#### STATEMENT OF OPERATING EXPENDITURES & REVENUES BY FUND & CHANGES IN FUND BALANCE

	<b>FY 2001/2002 BUDGET ACTUALS</b>	<b>FY 2002/2003 ADOPTED BUDGET</b>	<b>FY 2002/2003 REVISED BUDGET</b>	<b>FY 2003/2004 ADOPTED BUDGET</b>	<b>FY 2004/2005 PROPOSED BUDGET</b>
<b>Expenditures by Fund</b>					
General Fund	\$ 258,899,751	\$ 294,181,036	\$ 262,364,000	\$ 298,514,068	\$ 309,666,179
Quality of Life Half Cent Sales Tax	\$ 24,872,748	\$ 86,701,203	\$ 50,146,000	\$ 82,139,852	\$ 63,675,225
Utility Fund	\$ 150,153,093	\$ 166,374,468	\$ 151,758,000	\$ 165,703,500	\$ 154,956,714
Utility Development	\$ 8,644,475	\$ 12,330,532	\$ 7,801,000	\$ 8,885,500	\$ 9,787,286
Internal Service Fund	\$ 460,740	\$ 173,582	\$ 15,000	\$ 249,599	\$ 515,861
Local Transportation Assistance	\$ 9,175,794	\$ 15,409,748	\$ 12,631,000	\$ 10,521,420	\$ 7,526,355
Mesa Housing Services Fund	\$ 10,063,571	\$ 11,641,000	\$ 11,814,000	\$ 12,453,000	\$ 15,159,000
Cemetery Reserve Fund			\$ 25,000		
Impact Fees	\$ 6,865,311	\$ 12,522,363	\$ 8,335,000	\$ 4,721,873	\$ 5,863,326
Public Art Fund	\$ 66,734	\$ 905,870	\$ 134,000	\$ 769,000	\$ 200,000
Highway User Revenue Funds	\$ 33,264,505	\$ 34,212,198	\$ 32,280,000	\$ 34,273,188	\$ 30,051,054
<b>Total Operating Budget</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
<b>Revenues by Fund</b>					
General Fund	\$ 206,100,073	\$ 217,195,000	\$ 201,428,000	\$ 217,323,000	\$ 206,720,000
Quality of Life Half Cent Sales Tax	\$ 36,827,161	\$ 37,542,000	\$ 34,849,000	\$ 34,083,000	\$ 36,274,000
Utility Fund	\$ 210,446,245	\$ 226,170,000	\$ 212,825,000	\$ 233,332,000	\$ 248,689,000
Utility Development	\$ 8,189,644	\$ 12,379,000	\$ 7,937,000	\$ 8,552,000	\$ 10,155,000
Internal Service Fund	\$ 1,130	\$ 0	\$ 0	\$ 261,000	\$ 0
Local Transportation Assistance	\$ 6,518,297	\$ 10,225,000	\$ 8,540,000	\$ 5,133,000	\$ 2,543,000
Mesa Housing Services Fund	\$ 9,681,083	\$ 11,351,000	\$ 11,439,000	\$ 11,991,000	\$ 14,677,000
Cemetery Reserve Fund	\$ 216,984	\$ 221,000	\$ 168,000	\$ 217,000	\$ 267,000
Impact Fees	\$ 6,731,014	\$ 9,467,000	\$ 5,501,000	\$ 5,908,000	\$ 6,841,000
Public Art Fund	\$ 18,346	\$ 2,000	\$ 14,000	\$ 2,000	\$ 0
Highway User Revenue Funds	\$ 30,334,178	\$ 31,457,000	\$ 31,880,000	\$ 33,311,000	\$ 35,049,000
<b>Total Operating Revenues</b>	<b>\$ 515,064,155</b>	<b>\$ 556,009,000</b>	<b>\$ 514,581,000</b>	<b>\$ 550,113,000</b>	<b>\$ 561,215,000</b>
Bad Debt	\$ (3,364,784)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)
Restricted Funds	\$ (64,933,617)	\$ (24,590,055)	\$ (49,636,617)	\$ (13,140,233)	\$ (27,594,233)
Released Funds	\$ 53,188,753	\$ 63,081,613	\$ 64,933,617	\$ 49,636,617	\$ 66,980,233
<b>Total Gross Revenues</b>	<b>\$ 499,954,507</b>	<b>\$ 591,300,558</b>	<b>\$ 526,678,000</b>	<b>\$ 583,409,384</b>	<b>\$ 597,401,000</b>
<b>Net Income</b>	<b>\$ (2,512,215)</b>	<b>\$ (43,151,442)</b>	<b>\$ (10,625,000)</b>	<b>\$ (34,821,616)</b>	<b>\$ 0</b>
<b>Beginning Fund Balance</b>	<b>\$ 47,958,831</b>	<b>\$ 43,151,442</b>	<b>\$ 45,446,616</b>	<b>\$ 34,821,616</b>	<b>\$ 0</b>
<b>Ending Fund Balance</b>	<b>\$ 45,446,616</b>	<b>\$ 0</b>	<b>\$ 34,821,616</b>	<b>\$ 0</b>	<b>\$ 0</b>

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## STATEMENT OF OPERATING EXPENDITURES & REVENUES BY TYPE & CHANGES IN FUND BALANCE

	FY 2001/2002 BUDGET ACTUALS	FY 2002/2003 ADOPTED BUDGET	FY 2002/2003 REVISED BUDGET	FY 2003/2004 ADOPTED BUDGET	FY 2004/2005 PROPOSED BUDGET
<b>Expenditures by Type</b>					
Wages & Benefits	\$ 230,322,974	\$ 250,590,854	\$ 242,317,000	\$ 257,744,678	\$ 269,818,600
Other Services	\$ 126,911,542	\$ 129,809,121	\$ 131,621,000	\$ 138,905,860	\$ 150,356,764
Commodities	\$ 70,417,561	\$ 72,829,259	\$ 69,541,000	\$ 70,819,433	\$ 74,094,729
Debt Service	\$ 66,184,174	\$ 75,305,650	\$ 71,541,000	\$ 56,702,800	\$ 47,956,200
Capital	\$ 44,841,885	\$ 86,677,320	\$ 64,508,000	\$ 82,241,163	\$ 62,797,213
Credits	\$ (36,211,414)	\$ (42,489,204)	\$ (42,225,000)	\$ (42,022,934)	\$ (45,679,506)
Contingency		\$ 61,729,000		\$ 53,840,000	\$ 38,057,000
<b>Total Operating Budget</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
<b>Revenues by Type</b>					
Sales & Use Tax	\$ 102,653,158	\$ 107,219,000	\$ 98,628,000	\$ 98,628,000	\$ 102,790,000
Other Taxes	\$ 1,257,241	\$ 1,350,000	\$ 1,235,000	\$ 1,264,000	\$ 1,324,000
Impact Fees					
Police	\$ 1,583,073	\$ 1,721,000	\$ 1,224,000	\$ 1,163,000	\$ 1,163,000
Fire	\$ 1,017,102	\$ 1,093,000	\$ 796,000	\$ 784,000	\$ 862,000
Parks & Recreation	\$ 2,270,407	\$ 2,443,000	\$ 2,000,000	\$ 2,232,000	\$ 2,645,000
Culture	\$ 417,844	\$ 415,000	\$ 351,000	\$ 594,000	\$ 893,000
Library	\$ 1,232,222	\$ 1,323,000	\$ 1,050,000	\$ 1,058,000	\$ 1,158,000
Storm Sewer	\$ 0	\$ 400,000	\$ 0	\$ 0	\$ 0
General Government	\$ 0	\$ 900,000	\$ 0	\$ 0	\$ 0
Other Licenses & Permits	\$ 10,924,575	\$ 11,248,000	\$ 10,152,000	\$ 11,892,000	\$ 12,507,000
Intergovernmental Revenues					
Federal Grants	\$ 23,822,072	\$ 37,004,000	\$ 27,283,000	\$ 38,024,000	\$ 29,722,000
State Grants	\$ 1,024,169	\$ 591,000	\$ 857,000	\$ 2,129,000	\$ 1,455,000
County Grants/IGA's	\$ 921,300	\$ 1,034,000	\$ 693,000	\$ 659,000	\$ 664,000
Auto In-lieu Tax	\$ 15,072,381	\$ 14,180,000	\$ 14,500,000	\$ 14,950,000	\$ 15,550,000
Highway User Gas Tax	\$ 24,608,275	\$ 25,604,000	\$ 25,735,000	\$ 27,452,000	\$ 28,825,000
3% HURF Funds	\$ 5,520,758	\$ 5,785,000	\$ 5,715,000	\$ 5,763,000	\$ 5,937,000
State Sales Tax	\$ 30,544,828	\$ 30,884,000	\$ 30,884,000	\$ 31,381,000	\$ 32,162,000
State RPTA Mass Transit	\$ 2,249,973	\$ 2,261,000	\$ 2,138,000	\$ 2,268,000	\$ 2,268,000
State Revenue Sharing	\$ 41,411,715	\$ 42,771,000	\$ 42,192,000	\$ 35,753,000	\$ 34,702,000
Charges for Services	\$ 9,497,998	\$ 9,253,000	\$ 9,450,000	\$ 10,249,000	\$ 10,406,000
Fines & Forfeitures	\$ 10,088,044	\$ 11,391,000	\$ 10,970,000	\$ 11,397,000	\$ 11,702,000
Miscellaneous Revenues	\$ 8,827,748	\$ 6,288,000	\$ 6,153,000	\$ 8,772,000	\$ 5,069,000
Other Receipts	\$ 1,482,254	\$ 2,302,000	\$ 1,813,000	\$ 1,556,000	\$ 567,000
Enterprises					
Electric	\$ 29,525,808	\$ 28,258,000	\$ 26,653,000	\$ 27,575,000	\$ 28,332,000
Gas	\$ 26,680,108	\$ 26,221,000	\$ 25,944,000	\$ 27,791,000	\$ 30,483,000
Water	\$ 79,843,186	\$ 91,785,000	\$ 82,116,000	\$ 89,265,000	\$ 97,144,000
Wastewater	\$ 45,313,252	\$ 48,923,000	\$ 46,701,000	\$ 48,988,000	\$ 53,320,000
Solid Waste	\$ 30,075,338	\$ 33,421,000	\$ 32,141,000	\$ 34,411,000	\$ 36,618,000
Other Enterprise Revenues	\$ 7,199,326	\$ 9,941,000	\$ 7,207,000	\$ 14,115,000	\$ 12,947,000
<b>Total Operating Revenues</b>	<b>\$ 515,064,155</b>	<b>\$ 556,009,000</b>	<b>\$ 514,581,000</b>	<b>\$ 550,113,000</b>	<b>\$ 561,215,000</b>
Bad Debt	\$ (3,364,784)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)
Restricted Funds	\$ (64,933,617)	\$ (24,590,055)	\$ (49,636,617)	\$ (13,140,233)	\$ (27,594,233)
Released Funds	\$ 53,188,753	\$ 63,081,613	\$ 64,933,617	\$ 49,636,617	\$ 66,980,233
<b>Total Gross Revenues</b>	<b>\$ 499,954,507</b>	<b>\$ 591,300,558</b>	<b>\$ 526,678,000</b>	<b>\$ 583,409,384</b>	<b>\$ 597,401,000</b>
<b>Net Income</b>	<b>\$ (2,512,215)</b>	<b>\$ (43,151,442)</b>	<b>\$ (10,625,000)</b>	<b>\$ (34,821,616)</b>	<b>\$ 0</b>
<b>Beginning Fund Balance</b>	<b>\$ 47,958,831</b>	<b>\$ 43,151,442</b>	<b>\$ 45,446,616</b>	<b>\$ 34,821,616</b>	<b>\$ 0</b>
<b>Ending Fund Balance</b>	<b>\$ 45,446,616</b>	<b>\$ 0</b>	<b>\$ 34,821,616</b>	<b>\$ 0</b>	<b>\$ 0</b>

# Budget Process and Executive Summary

The following schedules summarize total expenditures and revenues by fund and type:

## SUMMARY OF EXPENDITURES & REVENUES BY FUND

	<i>FY 2001/2002</i> <b>BUDGET ACTUALS</b>	<i>FY 2002/2003</i> <b>ADOPTED BUDGET</b>	<i>FY 2002/2003</i> <b>REVISED BUDGET</b>	<i>FY 2003/2004</i> <b>ADOPTED BUDGET</b>	<i>FY 2004/2005</i> <b>PROPOSED BUDGET</b>
<b>Expenditures by Fund</b>					
General Fund	\$ 258,899,751	\$ 294,181,036	\$ 262,364,000	\$ 298,514,068	\$ 309,666,179
Quality of Life Half Cent Sales Tax	\$ 24,872,748	\$ 86,701,203	\$ 50,146,000	\$ 82,139,852	\$ 63,675,225
Utility Fund	\$ 150,153,093	\$ 166,374,468	\$ 151,758,000	\$ 165,703,500	\$ 154,956,714
Utility Development	\$ 8,644,475	\$ 12,330,532	\$ 7,801,000	\$ 8,885,500	\$ 9,787,286
Internal Service Fund	\$ 460,740	\$ 173,582	\$ 15,000	\$ 249,599	\$ 515,861
Local Transportation Assistance	\$ 9,175,794	\$ 15,409,748	\$ 12,631,000	\$ 10,521,420	\$ 7,526,355
Mesa Housing Services Fund	\$ 10,063,571	\$ 11,641,000	\$ 11,814,000	\$ 12,453,000	\$ 15,159,000
Cemetery Reserve Fund			\$ 25,000		
Impact Fees	\$ 6,865,311	\$ 12,522,363	\$ 8,335,000	\$ 4,721,873	\$ 5,863,326
Public Art Fund	\$ 66,734	\$ 905,870	\$ 134,000	\$ 769,000	\$ 200,000
Highway User Revenue Funds	\$ 33,264,505	\$ 34,212,198	\$ 32,280,000	\$ 34,273,188	\$ 30,051,054
<b>Total Operating Budget</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
<b>Bond Fund Expenditures</b>	<b>\$ 113,623,715</b>	<b>\$ 169,520,000</b>	<b>\$ 90,281,000</b>	<b>\$ 145,517,000</b>	<b>\$ 122,274,000</b>
<b>Total Expenditures</b>	<b>\$ 616,090,437</b>	<b>\$ 803,972,000</b>	<b>\$ 627,584,000</b>	<b>\$ 763,748,000</b>	<b>\$ 719,675,000</b>
<b>Revenues by Fund</b>					
General Fund	\$ 206,100,073	\$ 217,195,000	\$ 201,428,000	\$ 217,323,000	\$ 206,720,000
Quality of Life Half Cent Sales Tax	\$ 36,827,161	\$ 37,542,000	\$ 34,849,000	\$ 34,083,000	\$ 36,274,000
Utility Fund	\$ 210,446,245	\$ 226,170,000	\$ 212,825,000	\$ 233,332,000	\$ 248,689,000
Utility Development	\$ 8,189,644	\$ 12,379,000	\$ 7,937,000	\$ 8,552,000	\$ 10,155,000
Internal Service Fund	\$ 1,130	\$ 0	\$ 0	\$ 261,000	\$ 0
Local Transportation Assistance	\$ 6,518,297	\$ 10,225,000	\$ 8,540,000	\$ 5,133,000	\$ 2,543,000
Mesa Housing Services Fund	\$ 9,681,083	\$ 11,351,000	\$ 11,439,000	\$ 11,991,000	\$ 14,677,000
Cemetery Reserve Fund	\$ 216,984	\$ 221,000	\$ 168,000	\$ 217,000	\$ 267,000
Impact Fees	\$ 6,731,014	\$ 9,467,000	\$ 5,501,000	\$ 5,908,000	\$ 6,841,000
Public Art Fund	\$ 18,346	\$ 2,000	\$ 14,000	\$ 2,000	\$ 0
Highway User Revenue Funds	\$ 30,334,178	\$ 31,457,000	\$ 31,880,000	\$ 33,311,000	\$ 35,049,000
<b>Total Operating Revenues</b>	<b>\$ 515,064,155</b>	<b>\$ 556,009,000</b>	<b>\$ 514,581,000</b>	<b>\$ 550,113,000</b>	<b>\$ 561,215,000</b>
Bad Debt	\$ (3,364,784)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)
Restricted Funds	\$ (64,933,617)	\$ (24,590,055)	\$ (49,636,617)	\$ (13,140,233)	\$ (27,594,233)
Released Funds	\$ 53,188,753	\$ 63,081,613	\$ 64,933,617	\$ 49,636,617	\$ 66,980,233
Funds Carried Forward					
Adjusted July 1	\$ 47,958,831	\$ 43,151,442	\$ 45,446,616	\$ 34,821,616	\$ 0
Less Estimated June 30	\$ 45,446,616	\$ 0	\$ 34,821,616	\$ 0	\$ 0
<b>Net Operating Resources</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
Bond Proceeds & Revenues	\$ 115,489,401	\$ 140,767,140	\$ 103,730,747	\$ 88,961,707	\$ 122,274,000
Funds Carried Forward					
Adjusted July 1	\$ 41,239,860	\$ 28,752,860	\$ 43,105,546	\$ 56,555,293	\$ 0
Less Estimated June 30	\$ 43,105,546	\$ 0	\$ 56,555,293	\$ 0	\$ 0
<b>Net Bond Resources</b>	<b>\$ 113,623,715</b>	<b>\$ 169,520,000</b>	<b>\$ 90,281,000</b>	<b>\$ 145,517,000</b>	<b>\$ 122,274,000</b>
<b>Total Revenues</b>	<b>\$ 616,090,437</b>	<b>\$ 803,972,000</b>	<b>\$ 627,584,000</b>	<b>\$ 763,748,000</b>	<b>\$ 719,675,000</b>

# Budget Process and Executive Summary

## SUMMARY OF EXPENDITURES & REVENUES BY TYPE

	FY 2001/2002 BUDGET ACTUALS	FY 2002/2003 ADOPTED BUDGET	FY 2002/2003 REVISED BUDGET	FY 2003/2004 ADOPTED BUDGET	FY 2004/2005 PROPOSED BUDGET
<b>Expenditures</b>					
Wages & Benefits	\$ 230,322,974	\$ 250,590,854	\$ 242,317,000	\$ 257,744,678	\$ 269,818,600
Other Services	\$ 126,911,542	\$ 129,809,121	\$ 131,621,000	\$ 138,905,860	\$ 150,356,764
Commodities	\$ 70,417,561	\$ 72,829,259	\$ 69,541,000	\$ 70,819,433	\$ 74,094,729
Debt Service	\$ 66,184,174	\$ 75,305,650	\$ 71,541,000	\$ 56,702,800	\$ 47,956,200
Capital	\$ 44,841,885	\$ 86,677,320	\$ 64,508,000	\$ 82,241,163	\$ 62,797,213
Credits	\$ (36,211,414)	\$ (42,489,204)	\$ (42,225,000)	\$ (42,022,934)	\$ (45,679,506)
Contingency		\$ 61,729,000		\$ 53,840,000	\$ 38,057,000
<b>Total Operating Budget</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
<b>Bond Fund Expenditures</b>	<b>\$ 113,623,715</b>	<b>\$ 169,520,000</b>	<b>\$ 90,281,000</b>	<b>\$ 145,517,000</b>	<b>\$ 122,274,000</b>
<b>Total Expenditures</b>	<b>\$ 616,090,437</b>	<b>\$ 803,972,000</b>	<b>\$ 627,584,000</b>	<b>\$ 763,748,000</b>	<b>\$ 719,675,000</b>
<b>Revenues</b>					
Sales & Use Tax	\$ 102,653,158	\$ 107,219,000	\$ 98,628,000	\$ 98,628,000	\$ 102,790,000
Other Taxes	\$ 1,257,241	\$ 1,350,000	\$ 1,235,000	\$ 1,264,000	\$ 1,324,000
Impact Fees					
Police	\$ 1,583,073	\$ 1,721,000	\$ 1,224,000	\$ 1,163,000	\$ 1,163,000
Fire	\$ 1,017,102	\$ 1,093,000	\$ 796,000	\$ 784,000	\$ 862,000
Parks & Recreation	\$ 2,270,407	\$ 2,443,000	\$ 2,000,000	\$ 2,232,000	\$ 2,645,000
Culture	\$ 417,844	\$ 415,000	\$ 351,000	\$ 594,000	\$ 893,000
Library	\$ 1,232,222	\$ 1,323,000	\$ 1,050,000	\$ 1,058,000	\$ 1,158,000
Storm Sewer	\$ 0	\$ 400,000	\$ 0	\$ 0	\$ 0
General Government	\$ 0	\$ 900,000	\$ 0	\$ 0	\$ 0
Other Licenses & Permits	\$ 10,924,575	\$ 11,248,000	\$ 10,152,000	\$ 11,892,000	\$ 12,507,000
Intergovernmental Revenues					
Federal Grants	\$ 23,822,072	\$ 37,004,000	\$ 27,283,000	\$ 38,024,000	\$ 29,722,000
State Grants	\$ 1,024,169	\$ 591,000	\$ 857,000	\$ 2,129,000	\$ 1,455,000
County Grants/IGA's	\$ 921,300	\$ 1,034,000	\$ 693,000	\$ 659,000	\$ 664,000
Auto In-lieu Tax	\$ 15,072,381	\$ 14,180,000	\$ 14,500,000	\$ 14,950,000	\$ 15,550,000
Highway User Gas Tax	\$ 24,608,275	\$ 25,604,000	\$ 25,735,000	\$ 27,452,000	\$ 28,825,000
3% HURF Funds	\$ 5,520,758	\$ 5,785,000	\$ 5,715,000	\$ 5,763,000	\$ 5,937,000
State Sales Tax	\$ 30,544,828	\$ 30,884,000	\$ 30,884,000	\$ 31,381,000	\$ 32,162,000
State RPTA Mass Transit	\$ 2,249,973	\$ 2,261,000	\$ 2,138,000	\$ 2,268,000	\$ 2,268,000
State Revenue Sharing	\$ 41,411,715	\$ 42,771,000	\$ 42,192,000	\$ 35,753,000	\$ 34,702,000
Charges for Services	\$ 9,497,998	\$ 9,253,000	\$ 9,450,000	\$ 10,249,000	\$ 10,406,000
Fines & Forfeitures	\$ 10,088,044	\$ 11,391,000	\$ 10,970,000	\$ 11,397,000	\$ 11,702,000
Miscellaneous Revenues	\$ 8,827,748	\$ 6,288,000	\$ 6,153,000	\$ 8,772,000	\$ 5,069,000
Other Receipts	\$ 1,482,254	\$ 2,302,000	\$ 1,813,000	\$ 1,556,000	\$ 567,000
Enterprises					
Electric	\$ 29,525,808	\$ 28,258,000	\$ 26,653,000	\$ 27,575,000	\$ 28,332,000
Gas	\$ 26,680,108	\$ 26,221,000	\$ 25,944,000	\$ 27,791,000	\$ 30,483,000
Water	\$ 79,843,186	\$ 91,785,000	\$ 82,116,000	\$ 89,265,000	\$ 97,144,000
Wastewater	\$ 45,313,252	\$ 48,923,000	\$ 46,701,000	\$ 48,988,000	\$ 53,320,000
Solid Waste	\$ 30,075,338	\$ 33,421,000	\$ 32,141,000	\$ 34,411,000	\$ 36,618,000
Other Enterprise Revenues	\$ 7,199,326	\$ 9,941,000	\$ 7,207,000	\$ 14,115,000	\$ 12,947,000
<b>Gross Revenues</b>	<b>\$ 515,064,155</b>	<b>\$ 556,009,000</b>	<b>\$ 514,581,000</b>	<b>\$ 550,113,000</b>	<b>\$ 561,215,000</b>
Bad Debt	\$ (3,364,784)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)
Restricted Funds	\$ (64,933,617)	\$ (24,590,055)	\$ (49,636,617)	\$ (13,140,233)	\$ (27,594,233)
Released Funds	\$ 53,188,753	\$ 63,081,613	\$ 64,933,617	\$ 49,636,617	\$ 66,980,233
Funds Carried Forward					
Adjusted July 1	\$ 47,958,831	\$ 43,151,442	\$ 45,446,616	\$ 34,821,616	\$ 0
Less Estimated June 30	\$ 45,446,616	\$ 0	\$ 34,821,616	\$ 0	\$ 0
<b>Net Operating Resources</b>	<b>\$ 502,466,722</b>	<b>\$ 634,452,000</b>	<b>\$ 537,303,000</b>	<b>\$ 618,231,000</b>	<b>\$ 597,401,000</b>
Bond Proceeds & Revenues	\$ 115,489,401	\$ 140,767,140	\$ 103,730,747	\$ 88,961,707	\$ 122,274,000
Funds Carried Forward					
Adjusted July 1	\$ 41,239,860	\$ 28,752,860	\$ 43,105,546	\$ 56,555,293	\$ 0
Less Estimated June 30	\$ 43,105,546	\$ 0	\$ 56,555,293	\$ 0	\$ 0
<b>Net Bond Resources</b>	<b>\$ 113,623,715</b>	<b>\$ 169,520,000</b>	<b>\$ 90,281,000</b>	<b>\$ 145,517,000</b>	<b>\$ 122,274,000</b>
<b>Total Revenues</b>	<b>\$ 616,090,437</b>	<b>\$ 803,972,000</b>	<b>\$ 627,584,000</b>	<b>\$ 763,748,000</b>	<b>\$ 719,675,000</b>

# Budget Process and Executive Summary

The fund detail for the FY 2002/03 budget follows the actual fund detail for FY 2001/02, which is included for comparison purposes:

	ACTUALS FUND DETAIL FY 2001/2002						Ending Fund Balance 6/30/2002
	Ending Fund Balance 6/30/2001	Revenue Received	Final Budget	Funds Released	Fund Transfer	Restricted	
General Fund	\$ 22,478,509	\$ 203,492,614	\$ 258,899,751	\$ 1,680,611	\$ 55,695,000	\$ (1,471,073)	\$ 22,975,783
Half Cent Sales Tax	\$ 0	\$ 36,827,161	\$ 24,872,748	\$ 51,508,142		\$ (63,462,544)	\$ 0
Utility Fund	\$ 8,556,297	\$ 209,689,166	\$ 150,153,093		\$ (60,000,000)		\$ 8,092,299
Internal Service Fund	\$ 982	\$ 1,130	\$ 460,740		\$ 460,000		\$ 1,356
LTAF	\$ 4,849	\$ 6,518,297	\$ 9,175,794		\$ 2,780,000		\$ 127,347
Mesa Housing	\$ 18,956	\$ 9,681,083	\$ 10,063,571		\$ 400,000		\$ 36,465
Public Art	\$ 714,525	\$ 18,346	\$ 66,734		\$ 200,000		\$ 866,138
Impact Fees							\$ 0
Police	\$ 0	\$ 1,594,034	\$ 1,594,032				\$ 0
Fire	\$ 190,596	\$ 1,018,454	\$ 1,209,050				\$ 0
Parks & Recreation	\$ 1,091,346	\$ 2,294,810	\$ 2,796,001				\$ 590,154
Cultural	\$ 1,061,561	\$ 452,004	\$ 0				\$ 1,513,565
Library	\$ 4,667,147	\$ 1,371,712	\$ 1,266,228				\$ 4,772,631
HURF	\$ 4,299,580	\$ 30,334,178	\$ 33,264,505				\$ 1,369,244
Impact Fee/Dev. Tax							
Water	\$ 0	\$ 3,507,607	\$ 3,419,286				\$ 88,320
Wastewater	\$ 0	\$ 4,263,588	\$ 4,173,473				\$ 90,114
Solid Waste	\$ 652,381	\$ 418,449	\$ 1,051,716				\$ 19,113
Cemetery Fund	\$ 4,222,102	\$ 216,984			\$ 465,000		\$ 4,904,086
<b>Total</b>	<b>\$ 47,958,831</b>	<b>\$ 511,699,617</b>	<b>\$ 502,466,722</b>	<b>\$ 53,188,753</b>	<b>\$ 0</b>	<b>\$ (64,933,617)</b>	<b>\$ 45,446,616</b>

# Budget Process and Executive Summary

## REVISED FUND DETAIL FY 2002/2003

	<i>Ending Fund Balance 6/30/2002</i>	<i>Revenue Received</i>	<i>Final Budget</i>	<i>Funds Released</i>	<i>Fund Transfer</i>	<i>Restricted</i>	<i>Ending Fund Balance 6/30/2003</i>
General Fund	\$ 22,975,783	\$ 198,828,000	\$ 262,364,000	\$ 1,471,073	\$ 61,009,000	\$ (1,471,073)	\$ 20,448,783
Half Cent Sales Tax	\$ 0	\$ 34,849,000	\$ 50,146,000	\$ 63,462,544		\$ (48,165,544)	\$ 0
Utility Fund	\$ 8,092,299	\$ 212,225,000	\$ 151,758,000		\$ (66,000,000)		\$ 2,559,299
Internal Service Fund	\$ 1,356		\$ 15,000		\$ 15,000		\$ 1,356
LTAf	\$ 127,347	\$ 8,540,000	\$ 12,631,000		\$ 4,000,000		\$ 36,347
Mesa Housing	\$ 36,465	\$ 11,439,000	\$ 11,814,000		\$ 340,000		\$ 1,465
Public Art	\$ 866,138	\$ 14,000	\$ 134,000		\$ 186,000		\$ 932,138
Impact Fees	\$ 0						\$ 0
Police	\$ 0	\$ 1,224,000	\$ 1,224,000				\$ 0
Fire	\$ 0	\$ 796,000	\$ 796,000				\$ 0
Parks & Recreation	\$ 590,154	\$ 2,001,000	\$ 2,250,000				\$ 341,154
Cultural	\$ 1,513,565	\$ 371,000	\$ 1,000,000				\$ 884,565
Library	\$ 4,772,631	\$ 1,109,000	\$ 3,065,000				\$ 2,816,631
HURF	\$ 1,369,244	\$ 31,880,000	\$ 32,280,000				\$ 969,244
Impact Fee/Dev. Tax							
Water	\$ 88,320	\$ 3,520,000	\$ 3,608,000				\$ 320
Wastewater	\$ 90,114	\$ 4,052,000	\$ 4,142,000				\$ 114
Solid Waste	\$ 19,113	\$ 365,000	\$ 51,000				\$ 333,113
Cemetery Fund	\$ 4,904,086	\$ 168,000	\$ 25,000		\$ 450,000		\$ 5,497,086
<b>Total</b>	<b>\$ 45,446,616</b>	<b>\$ 511,381,000</b>	<b>\$ 537,303,000</b>	<b>\$ 64,933,617</b>	<b>\$ 0</b>	<b>\$ (49,636,617)</b>	<b>\$ 34,821,616</b>

The ending fund balance for FY 2002/03 is estimated at \$34.8 million. This is \$10.6 million less than the ending fund balance for FY 2001/02. Sales Tax, Impact Fees, Building Permit and utility revenues were down compared to budgeted revenues, which reflects the poor economic condition locally and the conservation effort by the citizens on water, gas and electric usage. The reduction in expenditures indicates the refinancing of the debt service, as well as a partial freeze of vacant positions and capital expenditures.

# Budget Process and Executive Summary

The fund detail for the FY 2003/04 budget is identified in the table below:

<i>ADOPTED FUND DETAIL FY 2003/2004</i>							
	<i>Ending Fund Balance 6/30/2003</i>	<i>Revenue Received</i>	<i>Final Budget</i>	<i>Funds Released</i>	<i>Fund Transfer</i>	<i>Restricted</i>	<i>Ending Fund Balance 6/30/2004</i>
General Fund	\$ 20,448,783	\$ 214,723,000	\$ 298,514,068	\$ 1,471,073	\$ 63,344,000	\$ (1,472,788)	\$ 0
Half Cent Sales Tax	\$ 0	\$ 34,083,000	\$ 82,139,852	\$ 48,165,544		\$ (108,692)	\$ 0
Utility Fund	\$ 2,559,299	\$ 232,732,000	\$ 165,703,500		\$ (69,587,000)	\$ (799)	\$ 0
Internal Service Fund	\$ 1,356	\$ 261,000	\$ 249,599			\$ (12,757)	\$ 0
LTAf	\$ 36,347	\$ 5,133,000	\$ 10,521,420		\$ 5,353,000	\$ (927)	\$ 0
Mesa Housing	\$ 1,465	\$ 11,991,000	\$ 12,453,000		\$ 461,000	\$ (465)	\$ 0
Public Art	\$ 932,138	\$ 2,000	\$ 769,000			\$ (165,138)	\$ 0
Impact Fees	\$ 0						
Police	\$ 0	\$ 1,163,000	\$ 1,163,000				\$ 0
Fire	\$ 0	\$ 784,000	\$ 784,000				\$ 0
Parks & Recreation	\$ 341,154	\$ 2,233,000	\$ 2,336,354			\$ (237,800)	\$ 0
Cultural	\$ 884,565	\$ 617,000	\$ 10,000			\$ (1,491,565)	\$ 0
Library	\$ 2,816,631	\$ 1,111,000	\$ 428,519			\$ (3,499,112)	\$ 0
HURF	\$ 969,244	\$ 33,311,000	\$ 34,273,188			\$ (7,056)	\$ 0
Impact Fee/Dev. Tax							
Water	\$ 320	\$ 3,675,000	\$ 3,675,320				\$ 0
Wastewater	\$ 114	\$ 4,482,000	\$ 4,482,114				\$ 0
Solid Waste	\$ 333,113	\$ 395,000	\$ 728,066			\$ (47)	\$ 0
Cemetery Fund	\$ 5,497,086	\$ 217,000			\$ 429,000	\$ (6,143,086)	\$ 0
<b>Total</b>	<b>\$ 34,821,616</b>	<b>\$ 546,913,000</b>	<b>\$ 618,231,000</b>	<b>\$ 49,636,617</b>	<b>\$ 0</b>	<b>\$ (13,140,231)</b>	<b>\$ 0</b>

Evaluating the revenue and expenditure information by fund, the Utility Fund still continues to provide a significant transfer to the General Fund of \$69.6 million. The General Fund still must transfer funds to the Local Transit Area Fund (LTAf), Mesa Housing Authority and the Cemetery Fund. The QOL Half-Cent sales tax shows that expenditures exceed revenues as some of the larger capital projects are completed or into a significant phase of construction. Public Art funds have the majority of the money rebudgeted for expenditures in FY 2003/04. Impact Fees have a significant amount rebudgeted because receipts for Library and Culture are available for pay as you go projects.

# Budget Process and Executive Summary

For comparison purposes to FY 2003/04, the proposed FY 2004/05 fund detail is identified in the table below:

	<i>PROPOSED FUND DETAIL FY 2004/2005</i>						<i>Ending Fund Balance 6/30/2005</i>
	<i>Ending Fund Balance 6/30/2004</i>	<i>Revenue Received</i>	<i>Final Budget</i>	<i>Funds Released</i>	<i>Fund Transfer</i>	<i>Restricted</i>	
General Fund	\$ 0	\$ 204,120,000	\$ 309,666,179	\$ 12,266,788	\$ 94,887,000	\$ (1,607,609)	\$ 0
Half Cent Sales Tax	\$ 0	\$ 36,274,000	\$ 63,675,225	\$ 27,557,692		\$ (156,467)	\$ 0
Utility Fund	\$ 0	\$ 248,089,000	\$ 154,956,714	\$ 8,727,799	\$ (101,860,000)	\$ (85)	\$ 0
Internal Service Fund	\$ 0		\$ 515,861	\$ 138,757	\$ 378,000	\$ (896)	\$ 0
LTAF	\$ 0	\$ 2,543,000	\$ 7,526,355	\$ 927	\$ 4,983,000	\$ (572)	\$ 0
Mesa Housing	\$ 0	\$ 14,677,000	\$ 15,159,000	\$ 465	\$ 482,000	\$ (465)	\$ 0
Public Art	\$ 0		\$ 200,000	\$ 165,138	\$ 200,000	\$ (165,138)	\$ 0
Impact Fees							
Police	\$ 0	\$ 1,163,000	\$ 1,163,000				\$ 0
Fire	\$ 0	\$ 862,000	\$ 862,000				\$ 0
Parks & Recreation	\$ 0	\$ 2,645,000	\$ 2,448,000	\$ 237,800		\$ (434,800)	\$ 0
Cultural	\$ 0	\$ 932,000	\$ 908,000	\$ 1,491,565		\$ (1,515,565)	\$ 0
Library	\$ 0	\$ 1,239,000	\$ 482,326	\$ 3,499,112		\$ (4,255,786)	\$ 0
HURF	\$ 0	\$ 35,049,000	\$ 30,051,054	\$ 6,751,056		\$ (11,749,002)	\$ 0
Impact Fee/Dev. Tax							
Water	\$ 0	\$ 4,266,000	\$ 4,177,000			\$ (89,000)	\$ 0
Wastewater	\$ 0	\$ 5,469,000	\$ 5,469,000			\$ 0	\$ 0
Solid Waste	\$ 0	\$ 420,000	\$ 141,286	\$ 47		\$ (278,761)	\$ 0
Cemetery Fund	\$ 0	\$ 267,000		\$ 6,143,086	\$ 930,000	\$ (7,340,086)	\$ 0
<b>Total</b>	<b>\$ 0</b>	<b>\$ 558,015,000</b>	<b>\$ 597,401,000</b>	<b>\$ 66,980,233</b>	<b>\$ 0</b>	<b>\$ (27,594,233)</b>	<b>\$ 0</b>

# Budget Process and Executive Summary

The following city-wide issues are addressed in the FY 2003/04 budget:

1. No cost of living adjustment (COLA) is factored into the Wages and Benefit appropriation. Retirement benefit costs for civilians is increased 139% and 44% for sworn positions. This health insurance increase is adjusted from an annualized rate of 15% to a partial year impact of 12%.
2. 223.9 FTE positions are eliminated in FY 2003/04 that were authorized in FY 2002/03.
3. Reduce new contributions to the Public Art Fund from \$200,000 to \$0 for the FY 2003/04 budget.
4. Zero growth is forecasted for sales tax growth, compared to FY 2002/03 estimated receipts.
5. Utility rate increases ranging from 2% to 5% are estimated to bring in \$6.8 million.
6. Building Permit rate increases are forecasted to bring in an additional \$2.1 million.
7. Impact Fee rate increases average approximately 24.9% equaling \$1.6 million. This estimate represents a half year of estimated receipts because the fee increases are expected to become effective January 1, 2004.

The following city-wide issues are addressed in the FY 2004/05 budget:

1. Utility rate increases are factored into the FY 2004/05 budget: Electric 3%, Gas 5%, Water 5%, Wastewater 6% and Solid Waste 5%.
2. Impact Fee rate increases average approximately 11% equaling \$0.9 million. This estimate represents a half year of estimated receipts because the fee increases are expected to become effective January 1, 2005.
3. 3% growth is forecast for sales tax.
4. No COLA is factored into the FY 2004/05 budget.
5. A 15% increase is factored into the health insurance costs.

# Budget Process and Executive Summary

## Average Homeowner's Charges Survey

One of the key analysis tools used by City Council and staff is the comparison of average charges incurred by homeowners in the Valley. This analysis compares a \$150,000 home with an annual household income of \$58,300 and Mesa's average monthly water usage for the most recent 12-month period with the following charges:

- City Property Taxes
- City Sales Tax
- Solid Waste Charges
- Water Charges
- Wastewater Charges

Based upon this analysis, for FY 2003/04, with the elimination of the sales tax on food and the increase in utility rates, the total cost to the average household in Mesa is less than any other city in the Valley. The following table summarizes the Average Homeowner's Charges Survey:

AVERAGE HOMEOWNER'S CHARGES SURVEY								
	City		City Sales Taxes(2)	Solid Waste Charges(3)	Water Charges(4)	Waste Water Charges(5)	Annual Total	Percentage of Mesa's Proposed
	Prop Taxes (1),(6)							
	Primary	Secondary						
<b>MESA</b>								
Rate	\$0.0000	\$0.0000	1.50%	\$18.64	\$30.06	\$16.44		
Annual Cost	\$0.00	\$0.00	\$397.02	\$223.68	\$360.74	\$197.30	\$1,178.75	
<b>CHANDLER</b>								
Rate (7)	\$0.3800	\$0.9000	1.71%	\$11.90	\$27.95	\$14.26		
Annual Cost	\$48.45	\$114.75	\$540.06	\$142.80	\$335.37	\$171.12	\$1,352.55	114.7%
<b>GILBERT</b>								
Rate	\$0.0000	\$1.1500	1.50%	\$14.05	\$19.80	\$16.40		
Annual Cost	\$0.00	\$146.63	\$473.98	\$168.60	\$237.64	\$196.76	\$1,223.60	103.8%
<b>GLENDALE</b>								
Rate	\$0.3548	\$1.3652	1.80%	\$13.50	\$21.60	\$18.12		
Annual Cost	\$45.24	\$174.06	\$568.77	\$162.00	\$259.25	\$217.41	\$1,426.73	121.0%
<b>PHOENIX</b>								
Rate (7)	\$0.7982	\$1.0218	1.93%	\$20.20	\$20.76	\$21.49		
Annual Cost	\$101.77	\$130.28	\$510.53	\$242.40	\$249.17	\$257.92	\$1,492.07	126.6%
<b>SCOTTSDALE</b>								
Rate	\$0.5073	\$0.6456	1.40%	\$14.07	\$34.14	\$16.08		
Annual Cost	\$64.68	\$82.31	\$442.38	\$168.84	\$409.73	\$193.00	\$1,360.94	115.5%
<b>TEMPE</b>								
Rate	\$0.5214	\$0.8286	1.80%	\$13.96	\$22.23	\$10.34		
Annual Cost	\$66.48	\$105.65	\$568.77	\$167.52	\$266.79	\$124.11	\$1,299.33	110.2%

Notes:

- Single family home with a value of \$150,000. Figured in \$100 units based on 85% of the value.  
\$150,000 X .85 X 10% / 100 X the tax rate. Source: Metro. Phoenix Home Sales "AZB-Arizona Business", Dec., 2002, p.9
- Annual Maricopa County income of \$58,000. Source: Median Family Income - Phoenix-Mesa - HUD 3/03, HUD website  
The cities of Phoenix and Mesa do not collect sales tax on food sales.
- Charge for biweekly garbage (recyclables where applicable) collection using 90 gallon barrels.
- Based on Mesa's average monthly residential water use for the most recent twelve months.
- Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.
- Primary and Secondary Tax Rates reflect the 02/03 FY.
- Sales Tax Rate is a weighted average rate, based on estimated household expense categories by the applicable tax rate.

# Budget Process and Executive Summary

## Fiscal Year 2003/04 Transfer of Funds

The budgeted transfer of funds from the Enterprise Fund to the General Fund is possible from positive net income obtained from the City's utility funds. Transfers are made from the General Fund to the Special Revenue funds to meet legal obligations and to balance other funds. The table below indicates the amount budgeted for transfer and the projected amounts for FY 2003/04:

<b>Descriptions</b>	<b>FY 2002/03 Budget</b>	<b>FY 2002/03 Forecasted</b>	<b>FY 2003/04 Budget</b>
Enterprise Funds	\$ (66,791,000)	\$ (66,000,000)	\$ (69,587,000)
General Fund In	\$ 66,791,000	\$ 66,000,000	\$ 69,587,000
General Fund Out	\$ (6,232,000)	\$ (4,991,000)	\$ (6,243,000)
Internal Services Fund Local Transportation Assistance Fund	\$ 173,000	\$ 15,000	\$ 0
Housing Fund	\$ 5,184,000	\$ 4,000,000	\$ 5,353,000
Cemetery Fund	\$ 290,000	\$ 340,000	\$ 461,000
Public Art Fund	\$ 450,000	\$ 450,000	\$ 429,000
	\$ 135,000	\$ 186,000	\$ 0
<b>Grand Total of Net Transfers</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

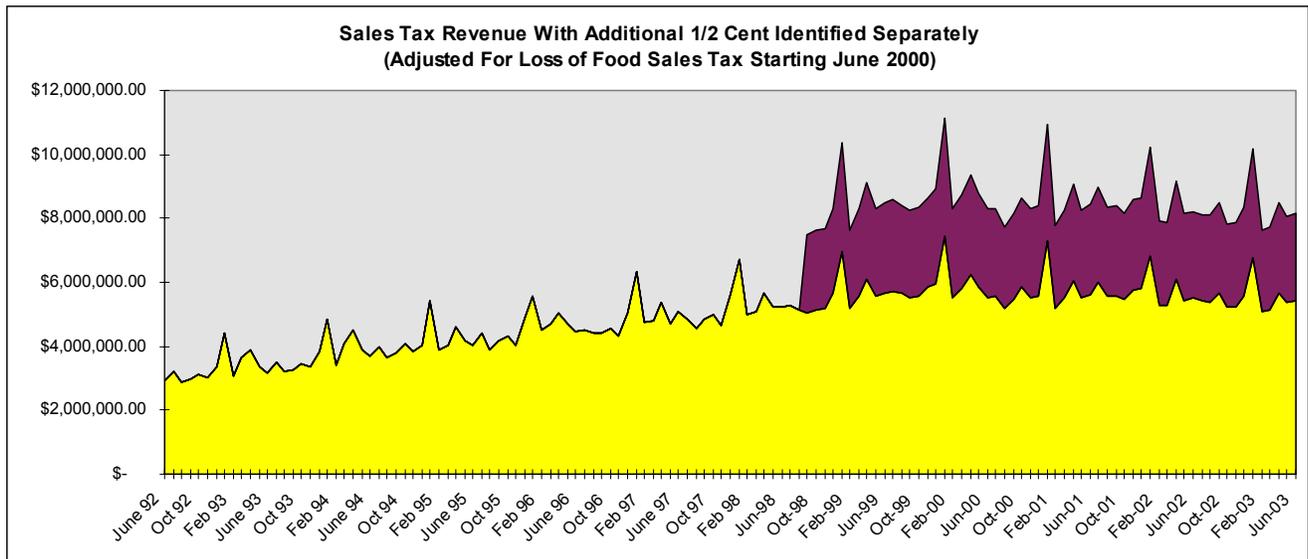
# Budget Process and Executive Summary

## Revenue Forecast

The following information indicates the projected revenue forecast for FY's 2002/03, 2003/04 and 2004/05.

**Sales Taxes:** Sales taxes are collected at a rate of 1.5 cents for every \$1.00 paid for qualified goods and services in the city of Mesa.

The following graph shows the monthly receipt totals since June 1992:



Sales tax was adjusted by the voters who approved a half cent increase effective August 1, 1998. In July 2006, one-quarter cent of the increase will be discontinued.

The voters approved an elimination of the sales tax on food, which was effective April 24, 2000.

# Budget Process and Executive Summary

Forecasted growth in sales for FY 2002/03 was 4.45%. The actual rate was a negative 3.6%. Forecasted growth for FY 2003/04 is at 0% and 3% for FY 2004/2005.

The projected receipts for FY 2002/03	\$ 98,628,000
Forecast for FY 2003/04	\$ 98,628,000
Forecast for FY 2004/05	\$102,790,000

Other Taxes: This is the Transient Occupancy Tax and Redevelopment Taxes. These are the bed taxes charged at local hotels/motels, the rate being 2.5%.

The projected receipts for FY 2002/03	\$1,235,000
Forecast for FY 2003/04	\$1,264,000
Forecast for FY 2004/05	\$1,324,000

Licenses and Permits: These are fees for services for Building Permits, Cable TV franchises alcohol licenses and Impact Fees.

The projected receipts for FY 2002/03	\$15,573,000
Forecast for FY 2003/04	\$17,723,000
Forecast for FY 2004/05	\$19,228,000

Federal Grants: Funds for federal programs such as Community Development Block Grant, HOME program, police grants and transit grants. Forecasted federal grant receipts have increased in FY 2003/04 over FY 2002/03 because a significant amount of grant projects have been rebudgeted to FY 2003/04.

The projected receipts for FY 2002/03	\$27,283,000
Forecast for FY 2003/04	\$38,024,000
Forecast for FY 2004/05	\$29,722,000

State and County Grants: These are grants from the state and county for programs in community services, police, parks and libraries.

The projected receipts for FY 2002/03	\$1,550,000
Forecast for FY 2003/04	\$2,788,000
Forecast for FY 2004/05	\$2,119,000

# Budget Process and Executive Summary

Auto-In-Lieu: This payment is from the State government based on a formula for distribution of vehicle taxes paid by the public.

The projected receipts for FY 2002/03	\$14,500,000
Forecast for FY 2003/04	\$14,950,000
Forecast for FY 2004/05	\$15,550,000

Highway User Gas Tax: This payment is from the State government based on a formula for distribution of gasoline taxes paid in the state and vehicle taxes.

The projected receipts for FY 2002/03	\$25,735,000
Forecast for FY 2003/04	\$27,452,000
Forecast for FY 2004/05	\$28,825,000

3% HURF: This is a share of the state gas tax that is reserved for cities with populations over 300,000.

The projected receipts for FY 2002/03	\$5,715,000
Forecast for FY 2003/04	\$5,763,000
Forecast for FY 2004/05	\$5,937,000

State Sales Tax: These are state sales tax dollars distributed back to political subdivisions.

The projected receipts for FY 2002/03	\$30,884,000
Forecast for FY 2003/04	\$31,381,000
Forecast for FY 2004/05	\$32,162,000

State Revenue Sharing: These are state income tax dollars that are distributed back to political subdivisions.

The projected receipts for FY 2002/03	\$42,192,000
Forecast for FY 2003/04	\$35,753,000
Forecast for FY 2004/05	\$34,702,000

Transportation Assistance: These are lottery funds to assist with mass transit.

The projected receipts for FY 2002/03	\$2,138,000
Forecast for FY 2003/04	\$2,268,000
Forecast for FY 2004/05	\$2,268,000

# Budget Process and Executive Summary

Charges for Services: These are user fees charged to participants for classes or activities offered by the City.

The projected receipts for FY 2002/03	\$ 9,450,000
Forecast for FY 2003/04	\$10,249,000
Forecast for FY 2004/05	\$10,406,000

Fines & Forfeitures: These are court fines and library fines.

The projected receipts for FY 2002/03	\$10,970,000
Forecast for FY 2003/04	\$11,397,000
Forecast for FY 2004/05	\$11,702,000

Miscellaneous Revenues: This is a collection of many different sources of revenue, i.e.--Contributions In Aid from other subdivisions, Interest Incomes, etc.

The projected receipts for FY 2002/03	\$6,153,000
Forecast for FY 2003/04	\$8,772,000
Forecast for FY 2004/05	\$5,069,000

Other Receipts: This is a category to capture miscellaneous receipts such as recovery of prior year expenses and sale of property.

The projected receipts for FY 2002/03	\$1,813,000
Forecast for FY 2003/04	\$1,556,000
Forecast for FY 2004/05	\$ 567,000

Enterprise Revenues: These are charges for services or commodities distributed to the public such as utility services.

The projected receipts for FY 2002/03	\$220,762,000
Forecast for FY 2003/04	\$242,145,000
Forecast for FY 2004/05	\$258,844,000